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Exporter Guide

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Report Highlights: Norway is a US\$ 17.8 billion market for food products. Due to its severe winters and relatively short growing season, the country has a large import need and domestic production accounts for only 50 percent of the total domestic demand. However, the Norwegian market is very protected and domestic suppliers are highly subsidized. Although Norway is not a member of the European Union, they have implemented most of the EU rules and regulations concerning imports of consumer-oriented products. The market is dominated by a few large players with nation-wide distribution. There are opportunities for high-value products and for products which are not produced domestically and new-to-market products, including ethnic foods. Major impediments to U.S. exports to Norway include high tariffs, consumer resistance to products containing genetically modified (GMO) ingredients and the ban on imports of hormone treated beef.

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Section I. Market overview

- ' The overall grocery retail food market in Norway amounts to NOK 160 billion (US\$ 17.8 billion) and can be divided into three categories:
 1. Retail stores accounting for 66 percent of the market.
 2. Hotel, Restaurant and Institutional (HRI) sales accounting for 22 percent of the market.
 3. Gas stations and kiosks accounting for 12 percent.

- ' Four retail chains control 99 percent of the retail stores and also dominate grocery sales to gas stations and kiosks as well as the HRI market. The Norwegian retail store sector has the capacity of serving as many as 7 - 8 million people, although the Norwegian population is only 4.5 million.

- ' The share of consumer spending on food products over the last three years, food and non-alcoholic beverages account for only 11.4 percent of total household expenditure. This percentage has steadily been decreasing for several years.

- ' Retail sales of wine and liquor in Norway is restricted to a government agency which handles all over-the-counter sales of wine, spirits and full-strength beer through some 180 retail stores throughout Norway. Sales through ordinary retail stores is not allowed. All imports to Norway must go through a licensed importer/agent and distributor.

- ' Norway continues to be a highly protected market for agricultural products. Major restrictions to imports of beef, pork and poultry meat, wheat, barley, oats, vegetables, fruits and dairy-- i.e. products which are produced locally-- exist in the form of variable import levies, tariff rate quotas and sanitary/phytosanitary barriers. Norway continues to ban meat from hormone-treated animals. U.S. poultry exports is also precluded from entering this market due to Norway's sanitary regulations. In addition, U.S. genetically modified soybeans, corn and processed products which contain ingredients made from genetically engineered organisms face nearly impossible odds of approval. Norway provides preferential tariffs and special quotas to EU member countries through the European Economic Area (EEA).

- ' Although Norway is only 50 percent self-sufficient in agricultural production, its import policy protects Norwegian producers (farmers and industry) from foreign competition until the domestic production has been used. As a member of the EEA, Norway is required to adopt most EU regulations. Since January 1, 1999 Norway adopted EU regulations regarding the veterinary control of animals and animal products. This means that meat products entering the country must come from an EU approved plant. Transshipments through Norway are also affected by these regulations.

| Advantages | Challenges |
|---|---|
| The United States is a preferred supplier to Norway for products such as tree nuts and dried fruits, both as branded products and for private labels. | Norwegian regulations and consumer attitudes concerning products with bio-engineered ingredients are prohibitive. |
| U.S. products have a reputation of being of high quality, and the current low exchange rate can increase sales opportunities. | Strong competition from European suppliers. |
| The United States is associated with new-to-market products. | Seasonal tariffs and quotas should be studied carefully before exporting to this market. |
| Mergers of the Nordic retail chains should bring higher sales volumes to U.S. suppliers. | Norway remains a highly protected market, through tariff and non-tariff barriers, for products which can be produced in Norway. |

Section II. Exporter Business Tips

Local business customs and entry strategy for consumer-oriented products

The Norwegian consumer oriented food and beverage market is dominated by four retail chains (Norgesgruppen A/S, Hakon-Gruppen A/S, COOP Norge, and Rema 1000 Norge). These chains control not only the retail market, but also the food service market and the fresh fruits and vegetable market. All these chains are either owned by a wholesaler, or has their own wholesale operation. This is true both for grocery products and for fruit and vegetables. Selling to these companies can be difficult for small and medium-sized companies without local representation. Norwegian companies expect total commitment to prompt deliveries, precision in filling of orders and high quality for all kinds of products. New-to-market exporters should locate an importer, wholesaler or agent to assist them with product clearances and marketing strategies for the exported product.

New-to-market exporters should:

- ÿ Conduct early market research to assess product potential.
- ÿ Find an agent, importer, wholesaler or a domestic industry partner to assist with information on import duties, phytosanitary regulations, labeling requirements and competition.
- ÿ A personal visit is not only advisable, but necessary, to build relationships with potential customers.
- ÿ Discuss marketing strategies and delivery capacity with the importer. Reliability of supply is crucial in this market.

General consumer tastes and preferences

Norwegian consumers seem to have an interest in high-quality and new-to-the market products. This can be ethnic foods or beverages not produced in the country. However, in the last several years the attitude on food safety has been an extremely important issue in Norway. At the moment, GM products are not welcomed by Norwegian consumer organizations or retail groups, even if they theoretically could be allowed when properly labeled.

General import and inspection procedures

Since January 1, 1999, Norway has adopted the rules and regulations of the EU in addition to its own requirements related to the import of food products. The importer in Norway must be registered and must notify the authorities 24 hours (for animals 30 days) in advance of the arrival of any shipment. If the shipment is not registered before arrival, the control authority can hold the shipment for up to 24 hours before releasing it. Imported animal products for food use must come from an EU approved plant and be accompanied by the necessary certificates. With the exception of fish products, shipments must enter through either Oslo harbor or Oslo airport. There are twenty entry locations into Norway for fish products.

On October 30, 2002 the Norwegian Food Control Authority announced an amendment to the Norwegian regulations on the labeling of foodstuffs. The new amendment will come into force on February 1, 2003 and will mainly change the requirements for:

1. Mandatory labeling of foodstuffs offered for sale without pre-packaging (mainly fresh fruits and vegetables).
2. Labeling of genetically modified food.

The new regulations are mainly meant to harmonize Norwegian regulations with the existing EU regulations. However, there will be differences between the EU regulation on GM products and the new Norwegian regulation. Norway requires labeling of all products containing GMO if the GM content is more than one percent in any ingredient. This is a stricter standard than the one adopted by the EU.

The main impact of the new Norwegian regulation, is that the limit for the amount of the genetically modified component as an ingredient in a product has been changed from 2 percent to 1 percent. This more restrictive standard will not, however, create any new barriers to U.S. exporters since no GM food products have yet been approved for import to Norway.

According to the Norwegian Food Control Authority, Norway is, in practice, following the main rules on the labeling in the EU, which were laid down in the European Parliament and Council Directive 2000/13/EC. Exporters to the market, however, must still check their labels before they export to Norway, as the interpretation of the regulations may be slightly different.

Section III. Market Sector Structure and Trends

Retail grocery stores

In 2001, Norway had 4,308 grocery stores with a turnover of NOK 106 billion (US\$ 11.8 billion). Grocery stores account for about 66 percent of all food and beverage sales, including fresh, frozen, and canned goods as well as non-alcoholic beverages and non-food items. The Norwegian retail grocery sector has undergone years of restructuring during which smaller chains have changed partners several times. The remaining chains, except for the largest group, Norgesgruppen AS, control the distribution of products from producer to consumer. Norgesgruppen AS is more of a buying group which supplies a number of smaller chains. These chains do their own marketing individually. Supermarkets, smaller supermarkets and discount stores each account for a third of the total number of stores. The other large groups are Hakon-Gruppen A/S, Coop Norge and Rema 1000 Norge A/S.

Gas marts and convenience kiosks

Gas marts and convenience kiosks are important players in the retail food market in Norway and today account for NOK 19 billion (US\$ 2 billion) in sales. Gas marts account for 58 percent and kiosks 42 percent of this market. There are about 1,800 gas marts and 2,150 kiosks in Norway. Exporters to the Norwegian market should keep in mind that although there is a close connection between the larger grocery wholesalers and retail chains and the gas marts and kiosks, the gas marts and kiosks have their own organizations for buying and marketing. Close and personal contact with an importer and/or the buyers of these organizations is also necessary in this sector. Main players include the largest gas stations (Esso, Statoil, Shell and Hydro/Texaco) and kiosks (Mix, Narvesen, Gyda and Small Shops (7-Eleven)). These stores specialize in basic grocery products and their consumers are not as price sensitive. This sector offers opportunities for convenience foods and impulse-buy products.

Hotel, Restaurant and Institutional (HRI) market

This market accounts for NOK 35 billion (US\$ 4 billion) annually in Norway. There are about 7,500 caterers, restaurants and hotels and institutional outlets. The main player in this sector is the wholesaler Asko-Storhusholding with a market share of 62 percent. Asko-Storhusholding is owned by the largest retail group Norgesgruppen. Most of the imports, both private label and other consumer oriented products, are done through the company's Nordic organization, United Nordic and through their Norwegian import company UNIL A/L. It is important to note that this large company is a member of Global Food Safety Initiative (GFSI) and that the company is using BRC-standards (British Retail Consortium) for its private label brands when importing. The HRI sector has probably the best potential for U.S. exporters, given the higher margins, and that quality is more of a focus than price.

Wine and Liquor market

In 2001, about 54.2 million liters of alcoholic beverages was sold through the state-owned monopoly. The 183 monopoly stores accounted for 88 percent of the wine and 86 percent of the liquor sales in Norway. The remainder was sold through hotels and restaurants. The main wine suppliers are France, Spain, Italy and Chile. The ratio between red wine sales and white wine sales is about 3:1. Norway is trending towards more bulk wine sales and wine-in-a-box. In 2001, wine-in-a-box sales accounted for 36 percent of total sales. Imports from the U.S. are only about 1.5 percent of Norway's total wine import. This figure may increase as the strong Norwegian currency has led to more a favorable exchange rate since the beginning of 2002. Exporters to the Norwegian market should be aware that all wine and liquor imports have to be traded with approved importers, agents and distributors and that the overall duties and VAT are high; for liquor about 80 percent, wine about 65 percent and strong beer about 50 percent. The sales of wine accounts for about 80 percent of the total market valued at about NOK10 billion (US\$ 1.25 billion). This figure is not included in the total value for agricultural products market of NOK 160 billion (US\$ 17.8 billion) in this report.

Norwegian Import Market for Seafood

Norway's imports of fish and seafood amount to about US\$ 500 million annually. The majority of imports are used by the fish farming industry or the processing industry for exports. There is, nevertheless, a market for "specialty products" like scallops, mussels, oysters, and live and frozen squid which amounts to about US\$ 3 million a year, mostly for the retail and HRI sectors. Norway's imports of prepared fish, tuna, caviar, herring, sardines, anchovies and salmon, amount to about 10,000 tons annually valued at US\$ 50 million.

Presently, 75 percent of consumer seafood products are distributed through retail stores and speciality stores, while the remainder goes to the hotel, restaurant and institution market. The retailers, speciality stores and HRI market are supplied through direct distribution (52 percent) and through wholesalers (48 percent).

Food Processing

The Norwegian food processing industry consists of less than 2,000 enterprises with a total turnover of about NOK 100 billion (US\$ 14 billion). The average number of employees in these companies is about 25 people, which means that their power in the market is very limited and that they are vulnerable to competition from imported products. The total number of employees in this sector is about 50,000 people. About 15,000 people are employed by the fish-processing and beverage industry. Since domestic food production is highly protected in Norway through quotas, tariffs and phytosanitary measures, farmer cooperative enterprises dominate the market for milk products, meat products and domestic seasonal fruits and vegetables. However, Norway has several larger food processing companies that import grain, cereals, fruit and vegetables. This sector offers opportunities for products that cannot be produced in sufficient quantities or products that not available domestically due to climatic conditions.

Section IV. Best High-Value Products Prospects

- Processed Fruits & Vegetables
- Fruit & Vegetable Juices
- Fresh Fruits & Vegetables (seasonal)
- Tree Nuts
- Wine & Beer
- Snack Foods
- Pet Foods
- Rice
- Sauces & Seasonings
- Ethnic Foods
- Speciality seafood products

Section V. Key Contacts and further information

Norwegian Food Control Authority (SNT)

Ullevålsveien 76

P.O.Box 8187 Dep.

N-0034 Oslo

Norway

Phone: (47) 23 21 70 00

Fax : (47) 22 21 70 01

The above state agency is in charge of product approval, labeling, additives, and administration of food safety regulations, for imported and domestic products.

Statens Landbruksforvaltning (Norwegian Agricultural Authority)

Dep. Trade and Industry

P.O.Box 8140 Dep.

N-0033 Oslo

Norway

Phone: (47) 24 13 10 00

Fax : (47) 24 13 10 05

The above state-owned agency handles customs duties for industrially processed agricultural products, based on product ingredients. It also handles the administrative functions related to import/supply needs of the country, as well as the auction of quotas under the WTO agreement. In dealing with this agency, a local Norwegian agent or an importer would be the best means of contact.

Federation of Norwegian Commercial Agents (Norske Agenter Landsforening)

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This association issues a monthly publication, in which proposals from foreign firms seeking agents/distributors in Norway are published.

Statistic Norway
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Fax: +47 21 09 00 20
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For statistic information on imports.

Norwegian Customs and Excise
P.O.Box 8122 Dep.
N-0032 Oslo
Phone: +47 22 86 03 00
Email: tad@toll.no
Web: www.toll.no

For general questions about exporting to Norway, please contact:

American Embassy Oslo
Foreign Agricultural Service
Asle Eek Johansen, Agricultural Specialist
Drammensveien 18
N-0244 Oslo
Phone: (47) 21 30 86 21
Fax: (47) 22 44 94 25
Email: us-agric@online.no
or johansenA@fas.usda.gov

A. KEY TRADE & DEMOGRAPHIC INFORMATION**Norway Table A**

| | 2001 |
|---|-----------------|
| Agricultural Imports From All Countries (\$Mil)/U.S. Market Share (%) | 3,078-/-5% |
| Consumer Food Imports From All Countries (\$Mil)/U.S. Market Share (%) | 1,244-/-6% |
| Edible Fishery Imports From All Countries (\$Mil)/U.S. Market Share (%) | 473-/-7% |
| Total Population (Millions)/Annual Growth Rate (%) | 4.5 -/ 0.44% |
| Urban Population (Millions)/Annual Growth Rate (%) (1995) | N/A -/ 1.3% |
| Number of Major Metropolitan Areas | 0 |
| Size of the Middle Class (Millions)/Growth Rate (%) | N/A |
| Per Capita Gross Domestic Product (U.S. Dollars) | 37,264 |
| Unemployment Rate (%) | 3,6% |
| Per Capita Food Expenditures (U.S. Dollars) | 2,207 |
| Percent of Female Population Employed | 84% |
| Average Exchange Rate US\$1 (Sept 00- Sept 01) | 8.99 |

Norway Table B

| Norway Imports (In Millions of Dollars) | Imports from the World | | | Imports from the U.S. | | | U.S Market Share | | |
|--|------------------------|--------------|--------------|-----------------------|------------|------------|------------------|----------|----------|
| | 1999 | 2000 | 2001 | 1999 | 2000 | 2001 | 1999 | 2000 | 2001 |
| CONSUMER-ORIENTED AGRICULTURAL TO | 1,311 | 1,199 | 1,244 | 80 | 72 | 66 | 6 | 6 | 5 |
| Snack Foods (Excl. Nuts) | 170 | 154 | 162 | 1 | 1 | 2 | 1 | 1 | 1 |
| Breakfast Cereals & Pancake Mix | 26 | 25 | 27 | 3 | 2 | 2 | 12 | 8 | 7 |
| Red Meats, Fresh/Chilled/Frozen | 24 | 23 | 30 | 0 | 0 | 0 | 0 | 0 | 0 |
| Red Meats, Prepared/Preserved | 4 | 4 | 5 | 1 | 0 | 1 | 2 | 0 | 1 |
| Poultry Meat | 1 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dairy Products (Excl. Cheese) | 13 | 10 | 9 | 1 | 1 | 1 | 0 | 0 | 0 |
| Cheese | 21 | 19 | 20 | 0 | 0 | 1 | 0 | 0 | 0 |
| Eggs & Products | 2 | 1 | 1 | 1 | 1 | 1 | 2 | 6 | 5 |
| Fresh Fruit | 198 | 181 | 198 | 5 | 3 | 3 | 2 | 2 | 1 |
| Fresh Vegetables | 105 | 97 | 109 | 1 | 1 | 1 | 1 | 1 | 1 |
| Processed Fruit & Vegetables | 116 | 101 | 100 | 22 | 21 | 19 | 19 | 21 | 19 |
| Fruit & Vegetable Juices | 47 | 42 | 37 | 12 | 12 | 13 | 25 | 27 | 35 |
| Tree Nuts | 19 | 17 | 16 | 9 | 8 | 6 | 45 | 46 | 40 |
| Wine & Beer | 138 | 130 | 132 | 5 | 4 | 4 | 3 | 3 | 3 |
| Nursery Products & Cut Flowers | 98 | 90 | 90 | 1 | 1 | 1 | 1 | 1 | 0 |
| Pet Foods (Dog & Cat Food) | 40 | 37 | 37 | 7 | 2 | 2 | 17 | 6 | 5 |
| Other Consumer-Oriented Products | 289 | 266 | 270 | 15 | 17 | 15 | 5 | 7 | 6 |
| FISH & SEAFOOD PRODUCTS | 446 | 434 | 473 | 30 | 29 | 38 | 7 | 7 | 8 |
| Salmon | 2 | 3 | 2 | 1 | 1 | 1 | 5 | 5 | 11 |
| Surimi | 5 | 5 | 7 | 1 | 1 | 1 | 12 | 14 | 16 |
| Crustaceans | 68 | 75 | 62 | 3 | 1 | 1 | 4 | 1 | 1 |
| Groundfish & Flatfish | 250 | 211 | 212 | 26 | 26 | 36 | 10 | 12 | 17 |
| Molluscs | 6 | 3 | 3 | 1 | 1 | 1 | 2 | 4 | 5 |
| Other Fishery Products | 115 | 136 | 187 | 1 | 1 | 1 | 1 | 1 | 1 |
| AGRICULTURAL PRODUCTS TOTAL | 1,991 | 1,784 | 1,846 | 130 | 113 | 117 | 7 | 6 | 6 |
| AGRICULTURAL, FISH & FORESTRY TOTAL | 3,199 | 2,978 | 3,078 | 175 | 158 | 169 | 5 | 5 | 5 |

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

Norway Table C

Norway-Top 15 Suppliers

CONSUMER-ORIENTED AGRICULTURAL TOTAL - 400

| (\$1,000) | 1999 | 2000 | 2001 |
|----------------|----------------|----------------|----------------|
| Sweden | 157176 | 148458 | 149899 |
| Netherlands | 144000 | 147454 | 148392 |
| Denmark | 144253 | 134869 | 134060 |
| Spain | 112221 | 115108 | 117628 |
| France | 83766 | 78964 | 87167 |
| Italy | 73767 | 69078 | 81441 |
| Germany | 81317 | 70005 | 72187 |
| United States | 79737 | 72022 | 66196 |
| United Kingdom | 58619 | 50523 | 53566 |
| Belgium | 42352 | 35220 | 40339 |
| Colombia | 26146 | 18346 | 20443 |
| South Africa | 0 | 14602 | 19962 |
| Chile | 25060 | 18981 | 19900 |
| Switzerland | 23996 | 16747 | 18586 |
| Brazil | 22290 | 19820 | 16795 |
| Other | 236610 | 189172 | 196973 |
| World | 1311372 | 1199439 | 1243624 |

FISH & SEAFOOD PRODUCTS - 700

| (\$1,000) | 1999 | 2000 | 2001 |
|-----------------|---------------|---------------|---------------|
| Russian Fed | 215662 | 196725 | 178849 |
| United Kingdom | 53007 | 69941 | 84774 |
| United States | 29862 | 28603 | 38485 |
| Denmark | 34795 | 32406 | 31356 |
| Faroe Islands | 9926 | 14978 | 30614 |
| Canada | 23090 | 22786 | 23139 |
| Iceland | 14932 | 10627 | 18339 |
| Sweden | 12416 | 12066 | 16087 |
| Ireland | 6880 | 5465 | 11141 |
| Greenland | 2715 | 4043 | 5171 |
| Thailand | 4586 | 3262 | 5125 |
| China (Peoples) | 4597 | 4993 | 3782 |
| Lithuania | 1267 | 2134 | 3415 |
| Germany | 5270 | 3680 | 3304 |
| France | 3213 | 2316 | 2883 |
| Other | 24024 | 19530 | 16738 |
| World | 446249 | 433554 | 473214 |

Source: United Nations Statistics Division